

Senate File 272 - Introduced

SENATE FILE 272

BY McCOY

A BILL FOR

1 An Act establishing the state of Iowa higher education bank and
2 revolving loan program and fund and making appropriations
3 to the fund of amounts certified due to the elimination of
4 the deduction for federal taxes paid by certain individual
5 income taxpayers and including retroactive applicability
6 provisions.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

CREATION OF STATE OF IOWA HIGHER EDUCATION BANK

Section 1. NEW SECTION. 525.1 Higher education revolving loan program.

1. The treasurer of state shall administer a higher education revolving loan program to provide loans to students or parents of a student to finance all or a portion of the cost of a student's attendance at an institution of higher education. A loan provided by the bank under this section shall have a rate of interest fixed at one percent per year.

2. The treasurer, in consultation with the college student aid commission, shall adopt rules for the bank to provide loans pursuant to this section. The rules shall include student eligibility requirements, repayment terms, and any other rules necessary to properly administer the bank's higher education revolving loan program.

Sec. 2. NEW SECTION. 525.2 Establishment of state of Iowa higher education bank.

Subject to article VIII, section 6, of the Constitution of the State of Iowa, the state of Iowa higher education bank is created with the purpose of encouraging and promoting higher education in the state.

Sec. 3. NEW SECTION. 525.3 Definitions.

As used in this chapter, unless the context otherwise requires:

1. "*Bank*" means the state of Iowa higher education bank established under this chapter.

2. "*Institution of higher education*" means any educational institution that offers a postsecondary educational degree, certificate, or program of study and is eligible to receive Tit. IV funds under the federal Higher Education Act of 1965, as amended, or state funding or assistance.

3. "*Taxable income*" means as defined in section 422.4.

Sec. 4. NEW SECTION. 525.4 Management of bank — duties of treasurer.

1 The treasurer of state shall operate, manage, and control
 2 the bank, locate and maintain its places of business, and make
 3 and enforce orders, rules, regulations, and bylaws for the
 4 transaction of its business. The treasurer shall employ and
 5 fix the qualifications, duties, and compensation of employees
 6 of the bank and may enter into contracts for any services that
 7 may be required to conduct the business of the bank.

8 Sec. 5. NEW SECTION. **525.5 Advisory board of directors.**

9 1. An advisory board of directors to the bank shall
 10 be appointed to provide recommendations to the treasurer
 11 regarding the bank. The advisory board shall consist of five
 12 members appointed by the governor and confirmed by the senate
 13 pursuant to section 2.32. Two members of the general assembly
 14 shall serve as ex officio, nonvoting members, one senator to
 15 be appointed by the majority leader of the senate and one
 16 representative to be appointed by the speaker of the house of
 17 representatives. The advisory board shall not be compensated.
 18 Each member shall serve a term of four years.

19 2. The advisory board of directors shall have the following
 20 duties:

21 a. Meet regularly with the management of the bank to review
 22 the bank's operations to determine whether recommendations
 23 should be provided to the treasurer relating to improved
 24 management performance, customer service, internal methods,
 25 procedures, and operating policies.

26 b. Provide recommendations to the treasurer relating to the
 27 establishment of additional objectives for the operation of the
 28 bank.

29 c. Provide recommendations to the treasurer relating to
 30 employment practices and personnel policies.

31 d. Meet regularly with the treasurer to present any
 32 recommendations relating to the bank.

33 e. Advise the treasurer with respect to the powers and
 34 functions of the bank.

35 Sec. 6. NEW SECTION. **525.6 Commencement of business.**

1 The bank shall not transact any business except such
2 business as is incident to commencement of business until the
3 treasurer determines that the bank has acquired the minimum
4 capital necessary to operate and remain solvent. In doing so,
5 the treasurer shall consult with the superintendent of the
6 banking division to evaluate and determine the approximate
7 amount of capital required to commence operations.

8 Sec. 7. NEW SECTION. **525.7 Acquisition of capital.**

9 The bank shall acquire capital to operate from any of the
10 following sources:

11 1. Repayment of loans and accrued interest.

12 2. Appropriations from the general assembly or federal
13 government.

14 3. Appropriations to the fund as provided in section 421.17,
15 subsection 14.

16 4. Funds derived from the settlement of legal disputes
17 subject to approval from the general assembly.

18 Sec. 8. NEW SECTION. **525.8 State of Iowa higher education
19 bank revolving loan fund.**

20 1. A state of Iowa higher education bank revolving loan
21 fund is created in the state treasury under the control of
22 the treasurer. The moneys in the fund shall be used by the
23 treasurer for the purpose of operating the state of Iowa higher
24 education bank.

25 2. The fund shall consist of moneys credited to the fund
26 pursuant to section 525.7 and any other moneys available to
27 and obtained or accepted by the treasurer for placement in the
28 fund. Notwithstanding section 12C.7, subsection 2, interest or
29 earnings on moneys in the fund shall be credited to the fund.
30 Notwithstanding section 8.33, moneys that remain unencumbered
31 or unobligated at the close of the fiscal year shall not
32 revert but shall remain available for the same purpose in the
33 succeeding fiscal year.

34 DIVISION II

35 FEDERAL DEDUCTIBILITY — APPROPRIATION TO STATE OF IOWA HIGHER

1 EDUCATION BANK REVOLVING LOAN FUND

2 Sec. 9. Section 421.17, Code 2017, is amended by adding the
3 following new subsection:

4 NEW SUBSECTION. 14. a. Beginning in calendar year 2018,
5 the director shall by October 15 of each year determine the
6 difference between the net amount of individual income taxes
7 due and paid for the fiscal year ending on the preceding June
8 30 and the net amount of individual income taxes that would
9 have been due and payable during that fiscal year had the
10 provisions of section 422.9, subsection 2, paragraph "b",
11 subparagraph (2), not been applicable, and shall certify such
12 amount to the treasurer of state.

13 b. There is appropriated from the general fund of the state
14 to the state of Iowa higher education bank revolving loan fund
15 created in section 525.8 for the fiscal year beginning July 1,
16 2018, and for each fiscal year thereafter, an amount equal to
17 the amount certified during the fiscal year by the director of
18 revenue to the treasurer of state pursuant to paragraph "a".

19 Sec. 10. Section 422.9, subsection 2, paragraph b, Code
20 2017, is amended to read as follows:

21 b. (1) Add the amount of federal income taxes paid or
22 accrued, as the case may be, during the tax year and subtract
23 any federal income tax refunds received during the tax year.
24 Where married persons, who have filed a joint federal income
25 tax return, file separately, such total shall be divided
26 between them according to the portion of the total paid or
27 accrued, as the case may be, by each. Federal income taxes
28 paid for a tax year in which an Iowa return was not required
29 to be filed shall not be added and federal income tax refunds
30 received from a tax year in which an Iowa return was not
31 required to be filed shall not be subtracted.

32 (2) Notwithstanding subparagraph (1), federal income taxes
33 paid for a tax year beginning on or after January 1, 2017,
34 in which the taxpayer's net income exceeds three hundred
35 seventy-five thousand dollars in the case of a single person,

1 or seven hundred fifty thousand dollars in the case of a
2 married couple, shall not be added, and federal income tax
3 refunds received from a tax year beginning on or after January
4 1, 2017, in which the taxpayer's net income exceeds three
5 hundred seventy-five thousand dollars in the case of a single
6 person, or seven hundred fifty thousand dollars in the case of
7 a married couple, shall not be subtracted.

8 Sec. 11. RETROACTIVE APPLICABILITY. This division of this
9 Act applies retroactively to January 1, 2017, for tax years
10 beginning on or after that date.

11	EXPLANATION
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12 The inclusion of this explanation does not constitute agreement with
13 the explanation's substance by the members of the general assembly.

14 This bill establishes the state of Iowa higher education
15 bank and revolving loan program and fund and provides moneys
16 for the fund by disallowing a deduction for federal taxes paid
17 by certain taxpayers. The bill provides that the purpose of
18 the bank is to promote and encourage higher education in the
19 state.

20 Division I provides the state treasurer with the authority
21 to operate, manage, and control the public state bank,
22 including locating and maintaining its places of business,
23 adopting rules and regulations, and employing staff for any
24 services that may be required for the bank to conduct its
25 business.

26 The bill establishes an advisory board of directors to
27 provide recommendations to the treasurer regarding the bank.
28 The board consists of five members appointed by the governor
29 and confirmed by the senate. Two members from the general
30 assembly shall serve as ex officio and shall be appointed by
31 the majority leader of the senate and the speaker of the house
32 of representatives. The board shall not be compensated and
33 each member shall serve a term of four years. The board shall
34 provide recommendations to the treasurer regarding the bank's
35 operations, additional objectives, the hire of employees, and

1 any other recommendations relating to the bank.

2 The bill provides that the bank shall not commence its
3 operations until the treasurer, after consulting with the
4 superintendent of banking, determines that the bank has the
5 minimum capital necessary to operate and maintain solvency.

6 The bill provides that the bank shall acquire capital to
7 operate from the repayment of loans and accrued interest,
8 appropriations from the general assembly or federal government,
9 revenue from disallowing a deduction for federal taxes paid
10 for income taxpayers whose income exceeds \$375,000 (single)
11 or \$750,000 (married) annually, and funds derived from legal
12 settlements subject to approval from the general assembly.

13 The bill establishes a state of Iowa higher education bank
14 revolving loan fund in the state treasury and under the control
15 of the treasurer. Moneys in the fund are to be used to operate
16 the bank and the loan program and shall not revert to the
17 general fund of the state.

18 The bill provides that the bank shall establish a higher
19 education revolving loan program to provide loans to students
20 or parents of a student to finance the cost of attendance at
21 an institution of higher education, as defined in the bill. A
22 loan provided under this program shall have a fixed rate of
23 interest at 1 percent per year. The treasurer, in consultation
24 with the college student aid commission, is required to adopt
25 rules to administer the program.

26 Division II disallows the Iowa income tax deduction for
27 federal income taxes paid for tax years beginning on or after
28 January 1, 2017, if the taxpayer's net income for the tax year
29 exceeds \$750,000 (\$375,000 for a single person). Beginning
30 in 2018, the bill requires the director of the department
31 of revenue to calculate the additional Iowa income tax
32 revenues collected as a result of the disallowance of federal
33 deductibility for each fiscal year and certify that amount to
34 the treasurer of state by October 15. For each fiscal year
35 beginning on or after July 1, 2018, an amount equal to the

1 amount certified by the director of revenue during the fiscal
2 year is appropriated from the general fund of the state to the
3 state of Iowa higher education bank revolving loan fund created
4 in the bill.

5 Division II applies retroactively to January 1, 2017, for
6 tax years beginning on or after that date.